

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 035255

21

ORIGIN NEA-10

INFO OCT-01 ISO-00 TRSE-00 INT-05 EB-07 L-03 ERDA-05 NSF-01

IO-11 AID-05 NSC-05 CIAE-00 INR-07 NSAE-00 /060 R

DRAFTED BY TREAS/OSAA:WMOSER/NEA/ARP:CCECIL

APPROVED BY NEA/ARP:FMDICKMAN

TREASURY - LBOWDEN

INTERIOR - BURNS

INTERIOR - OMEARA

----- 061244

P R 130039Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

INFO AMCONSUL DHAHRAN

LIMITED OFFICIAL USE STATE 035255

E.O. 11652: N/A

TAGS: USSAEC, TECH, SA

SUBJECT: PROPOSED JEC DESALINATION AGREEMENT

REF: JIDDA 960

1. ASSISTANT SECRETARY PARSKY HAS ASKED DEPARTMENT TO TRANSMIT FOLLOWING MESSAGE: QUOTE: TREASURY OFFICE OF SAUDI ARABIAN AFFAIRS DEEPLY APPRECIATE THOROUGH SCRUTINY GIVEN BY EMBASSY TO DESALINATION PROPOSALS WHICH RESULTED IN PERCEPTIVE COMMENTS CONTAINED IN REFTEL. AS EMBASSY DOUBTLESS KNOWS, IT HAS FOR ONE REASON OR ANOTHER TAKEN BETTER PART OF YEAR TO ASSEMBLE THIS PROPOSAL. WE WOULD LIKE, IF AT ALL POSSIBLE, TO SIGN AN AGREEMENT FOR THIS PROJECT AT THE JOINT COMMISSION MEETING. THEREFORE, IT IS IMPERATIVE THAT WE SUBMIT THIS DRAFT PROPOSAL TO THE SAG ASAP. DURING HIS VISIT TO WASHINGTON LAST JULY, PRINCE MUHAMMED REQUESTED AND WAS PROMISED A PROPOSAL FROM THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 035255

USG FOR A RESEARCH PROGRAM TO DEVELOP A 100 MILLION GPD

DESALTING UNIT. DURING RECENT BOWDEN VISIT MANSOUR AL-TURKI COMPLAINED LONG AND BITTERLY OVER WHAT HE TERMED "INCOMPREHENSIBLE" DELAY IN SENDING PRINCE OUR PROPOSAL AND HE WAS TOLD THAT MORGAN HAD A DRAFT PROPOSAL WHICH WOULD BE SUBMITTED SHORTLY.

2. WE HAVE HAD NO INDICATIONS, OTHER THAN GENERALITIES, FROM SAUDIS AS TO WHAT THEY WANT. WHILE REALIZING ITS IMPERFECTIONS, WE WOULD LIKE THE DRAFT SUBMITTED TO THE SAG TO SERVE AS A POINT OF REFERENCE FOR BUTCHER AND HAHN OF OWRT WHO ARE PREPARED TO COME TO SAUDI ARABIA FOR TECHNICAL DISCUSSIONS. WITHOUT PRESENTING TO THE SAUDIS A PROPOSAL TO WHICH THEY CAN RESPOND, IT IS DIFFICULT TO SEE HOW WE CAN MOVE OUR DIALOG FORWARD.

3. THE FOLLOWING COMMENTS ARE KEYED TO THE PARAS IN REFTTEL.

4. PARAS 2 AND 3: IN THIS INSTANCE THE USG IS WILLING TO ASSUME CONTRACT MANAGER ROLE EVEN THOUGH THIS IS BY WAY OF EXCEPTION TO GENERAL POLICY SET FORTH IN STATE'S 153448. GENERAL POLICY GUIDANCE WILL BE FORTHCOMING. ARTICLE IV OF DRAFT AGREEMENT STATES EXACTLY WHAT USG INTENDS USDI ROLE TO BE.

5. PARA 4: ARTICLE I SPELLS OUT IN FULL DETAIL THE RESOURCES USDI WILL COMMIT IF THE SAG ACCEPTS BOTH PROJECTS. THE REFERENCE IN APPENDIX A TO THREE POSITIONS IS PARALLELED BY A SIMILAR REFERENCE IN APPENDIX B. (SEE NOTES TO BUDGET ESTIMATE.) THE CLERICAL ASSISTANT WOULD WORK ON BOTH PROJECTS IF THE ENTIRE PROPOSAL IS ACCEPTED.

6. PARA 5 AND 6: IN PROJECT A NO PHYSICAL FACILITIES ARE INVOLVED UNTIL CONSTRUCTION OF THE RESEARCH CENTER BEGINS IN PHASE III. OBVIOUSLY THIS WILL BE IN SAUDI ARABIA. ALL TESTING FACILITIES AND MODULES OTHER THAN FOUNTAIN VALLEY FACILITY (PART B, PROJECT B) WILL BE LOCATED IN SAUDI ARABIA. IF THE SAG FEELS THIS SHOULD BE NOTED IN THE AGREEMENT, WE CAN DO SO DURING NEGOTIATED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 035255

TIONS OF FINAL DRAFT. PRESENT PROPOSAL DOES NOT ENVISION PHYSICAL FACILITIES LOCATED IN SAUDI ARABIA UNDER PART B OF PROJECT B BECAUSE THIS IS AN ATTEMPT TO UTILIZE AN IN-PLACE RESEARCH FACILITY TO FURTHER THE TOTAL RESEARCH PROGRAM OF THIS PROJECT. POSSIBILITY OF MOVING CALIFORNIA FACILITY TO SAUDI ARABIA IS NOT RULED OUT, HOWEVER.

7. PARA 7: WE FULLY AGREE THAT AGREEMENT OF PRINCE

HUHAMMAD TO EACH STEP WILL BE OBTAINED BEFORE USG COMMITS RESOURCES TO THAT PHASE. WE DO NOT THINK IT NECESSARY TO SPELL OUT THE STEP-BY-STEP PROCESS BY WHICH SUBSEQUENT PHASES WILL BE ENTERED INTO. THE AGREEMENT PROPOSED IS FOR TECHNICAL COOPERATION IN DESALINATION. THIS COOPERATION IS DEFINED BY THE TOTAL SCOPE OF THE TWO PROJECTS, NOT BY THE INDIVIDUAL PHASES. THE PROJECTS AND THEIR BUDGETS ARE BROKEN DOWN INTO SELF CONTAINED PHASES FOR PRESENTATIONAL PURPOSES, AND TO ALLOW THE PROJECT TO BE TERMINATED AT A NATURAL BREAKING POINT IF EITHER PARTY SO DESIRES. WE ANTICIPATE EACH NEW PHASE WILL BE ENTERED INTO UPON AN AMENDMENT TO THIS AGREEMENT WHICH WILL DETAIL IMPLEMENTATION STEPS, TIME SCHEDULES AND BUDGET ESTIMATES FOR THAT PHASE. IT IS IMPOSSIBLE IN AN R&D PROGRAM TO DETAIL ACTIVITIES IN SUCCEEDING PHASES BECAUSE SUCH ACTIVITIES MUST BE BASED ON DATA DEVELOPED IN INITIAL PHASE. THIS POINT WILL BE RAISED WITH SAG DURING NEGOTIATIONS.

8. PARA 8: WE FEEL ARTICLE I CLEARLY SPELLS OUT THE LARGE ROLE WE ANTICIPATE FOR THE PRIVATE SECTOR- OWRT HAS CONTRACTED OUT ITS RESEARCH TO US INDUSTRY ON THIS BASIS FOR YEARS. THERE IS INTENSIVE PRIVATE SECTOR INTEREST. WE AGREE TO MAKING THIS POINT EXPLICIT BY INSERTING "FROM THE PRIVATE SECTOR" FOLLOWING THE PHRASE "INCLUDING THE SELECTION" IN THE SENTENCE UNDER PHASE 3, PAGE 3, APPENDIX A. WE BELIEVE IT PREFERABLE TO OBTAIN SOME INDICATION THAT SAUDIS WISH US TO GO AHEAD WITH PROPOSALS PRIOR TO INITIATING BRIEFINGS WITH US INDUSTRY.

9. PARA 9: WE RECOGNIZE NECESSITY OF HAVING QUALIFIED PERSONNEL IN SAUDI ARABIA TO MONITOR THE PROJECT. USDI IS PREPARED TO CONSIDER THE STATIONING OF ONE MAN IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 035255

JIDDA TO BE USG POINT OF CONTACT WITH SWCC WHEN IT APPEARS THAT CONSULTATIONS WOULD BE SUFFICIENTLY TIME-CONSUMING TO JUSTIFY THE FULL-TIME DEDICATION OF AN EMPLOYEE TO THIS PURPOSE. PRIOR TO THIS STAGE, USDI AND CONSULTANTS WOULD HANDLE CONSULTATIONS THROUGH TDY VISITS AS NECESSARY. BUTCHER AND HAHN ARE PREPARED TO DISCUSS THIS POINT IN MORE DETAIL WITH EMBASSY WHEN THEY COME FOR CONSULTATIONS.

10. IN VIEW OF FOREGOING, URGENTLY REQUEST EMBASSY APPROVAL TO TRANSMIT PROPOSAL TO SAUDIS SO WE HOPEFULLY CAN RECONCILE POINTS OF VIEW BEFORE COMMISSION MEETING. TREASURY HAS REPORT THAT PRINCE MUHAMMAD WILL BE LEAVING KINGDOM ON FEBRUARY 26 ON BUSINESS TRIP, AND HOPES BUTCHER AND HAHN COULD MEET WITH HIM TO DISCUSS PROPOSAL PRIOR TO

THAT DATE. END TREASURY MESSAGE.

11. DEPT COMMENT: DEPT HAS GIVEN TREASURY OUR APPROVAL TO PRESENT PROPOSED AGREEMENT. OUR PRIMARY CONCERN WITH THESE PROPOSALS, RAISED BY THE BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENT AND SCIENTIFIC AFFAIRS, IS THAT THEY DO NOT CONSIDER THE POSSIBILITY THAT THE SAUDIS MAY FOCUS ON THE USE OF NUCLEAR REACTORS AS THE HEAT SOURCE FOR THE LARGE DESALINIZATION PLANTS BEING CONSIDERED IN THE SECOND

FIVE YEAR PLAN. OES ACKNOWLEDGES THAT AN ARGUMENT COULD BE MADE THAT THE STUDIES TO BE CARRIED OUT BY THE TECHNOLOGY DEVELOPMENT PROGRAM, PLUS STUDIES TO BE DONE BY THE DESALINIZATION RESEARCH, DEVELOPMENT AND TRAINING CENTER, NEED NOT BE DIRECTLY LINKED TO THE TYPE OF FUEL TO BE USED, BUT BELIEVES THAT THIS WOULD BE MISLEADING IN THAT COSTS, EFFICIENCY, SITE STUDIES, TRAINING OF OPERATORS, AND OTHER ASPECTS OF THE PROGRAM ARE ALL TO SOME EXTENT FUEL SPECIFIC. SINCE US ASSISTANCE IN STUDIES RELATED TO THE POSSIBLE USE OF NUCLEAR REACTORS--EVEN STUDIES OF THE PRELIMINARY TYPE BEING CONSIDERED HERE--COULD COMPLICATE OUR RELATIONS CONSIDERABLY, THE USDI PROGRAMS SHOULD BE CLOSELY MONITORED BY OTHER USG AGENCIES. WHEREVER POSSIBLE, ENCOURAGEMENT SHOULD BE GIVEN TO THE CONSIDERATION OF NON-NUCLEAR HEAT SOURCES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 035255

DRAFT AMENDMENT IS BEING AMENDED BY INSERTING FOLLOWING PARAGRAPH AS SECOND PARAGRAPH OF ARTICLE EIGHT OF BASIC AGREEMENT. STATEMENT WILL APPLY TO ANY AND ALL APPENDICES.

QTE: IN CARRYING OUT ITS RESPONSIBILITIES UNDER THE PROPOSED CONTRACT, THE US DEPARTMENT OF INTERIOR WILL MAINTAIN CLOSE LIAISON WITH OTHER INTERESTED US AGENCIES SUCH AS THE US ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION AND THE DEPT OF STATE TO ENSURE THAT THE ASSISTANCE PROFFERED THE SWCC FULLY REFLECTS THE CAPABILITIES AND VIEWS OF THE US GOVERNMENT AS A WHOLE," END QTE.

12. DEPT LAWYER FEELS THAT THE PROPOSED ARTICLE DEALING WITH PATENT RIGHTS FAILS TO ADDRESS A NUMBER OF ISSUES WHICH MAY REQUIRE FURTHER REFINEMENT. WE HAVE CONSENTED TO TREASURY'S PRESENTING TO SAUDIS A DRAFT CONTAINING PATENT ARTICLE IN ITS PRESENT FORM, ON CONDITION SAUDIS BE TOLD THAT WE MAY WISH TO PROPOSE A MORE ELABORATE VERSION PRIOR TO SIGNING THE AGREEMENT. TREASURY AND DEPT LAWYERS ARE CONSULTING ON THIS ISSUE. WE FRANKLY DOUBT THAT THE SAUDIS WILL ACCEPT AN ARTICLE WHICH DOES NOT RECOGNIZE A GREATER PROPRIETARY INTEREST ON THE PART OF

THE SAG IN INVENTIONS ARISING FROM PROJECTS WHICH WOULD NOT BE UNDERTAKEN IN THE ABSENCE OF SAG FINANCING. TO REDUCE THE POSSIBILITY OF FUTURE MISUNDERSTANDINGS WHICH COULD HAVE DIPLOMATIC RAMIFICATIONS, WE HAVE ASKED THAT THOSE WHO WILL DISCUSS THE AGREEMENT WITH THE SAG ENSURE THAT THE SAUDIS FULLY UNDERSTAND THE PATENT PROVISIONS.

13. IN CONCLUSION, DEPT AGREES WITH TREASURY THAT LITTLE MORE CAN BE DONE AT THIS POINT TO REFINE PROPOSALS WITHOUT ENGAGING SAUDIS IN MORE DETAILED DISCUSSIONS ON THIS ISSUE, AND THAT BEST WAY TO ADVANCE DIALOGUE IS TO

OFFER PRESENT DRAFT AGREEMENT AS BASIS FOR DISCUSSIONS. KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DESALINATION, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE035255
Document Source: CORE
Document Unique ID: 00
Drafter: WMOSER/NEA/ARP:CCECIL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760054-0770
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760250/aaaabrll.tel
Line Count: 236
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 JIDDA 960
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2004 by ElyME>; APPROVED <01 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED JEC DESALINATION AGREEMENT
TAGS: TECH, SENV, SA, USSAEC
To: JIDDA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006